March 2019

ELBIT SYSTEMS LTD.
COMPANY-WIDE PROCEDURE ON ANTI-BRIBERY AND CORRUPTION DUE DILIGENCE

1. Introduction

Elbit Systems Ltd. and our subsidiaries worldwide (collectively the "**Company**") are committed to ethical business practices, and it is our policy to follow the anti-corruption and compliance laws of every country in which we do business. It is essential that the Company only engage with those entities and individuals who are suitable from an anti-corruption perspective. To achieve this goal, the Company has adopted our *Anti-Bribery and Corruption Compliance Policy*. In that policy we committed to conducting reasonable anti-corruption due diligence on third parties with which the Company intends to engage for marketing and related support services for international programs (a "**service provider**"), as well as for potential mergers and acquisitions ("**M&A"**) targets and teaming/joint venture partners.

2. Purpose

To implement our commitment regarding due diligence we have adopted this Company-wide Procedure on Anti-Corruption Due Diligence (the "**Procedure**"). The purpose of this Procedure and its Annexes is to provide guidance on the anti-corruption due diligence that must be conducted prior to signing a contract with a service provider, acquiring a target company, or partnering with an entity as part of a teaming arrangement or joint-venture (collectively, "**third party**" or "**third parties**").

3. Risk-Based Due Diligence

The Company conducts risk-based due diligence tailored to the facts and circumstances of each case. Based upon the results of the internal due diligence process, a third party may be determined to have risks that will result in enhanced due diligence as described below.

4. Due Diligence Procedures

4.1 Due Diligence Responsibility

Responsibility for anti-corruption due diligence will vary depending on the context. Anti-corruption due diligence is business due diligence. Accordingly, with the support of the Legal Department, the functions within the Company responsible for entering into an agreement to engage a third party, whether it be a service provider or a teaming/joint venture partner, will be responsible for

making sure that all necessary due diligence steps are taken and, as importantly, that the results of the due diligence are satisfactory and sufficient to establish that the third party is a worthy business partner for the Company. Similarly, in an M&A context, the team responsible for pursuing the proposed M&A transaction will be responsible for conducting anti-corruption due diligence on the proposed target. Support for the due diligence activities will be provided as necessary by all relevant Company functions.

4.2 Due Diligence Process

The Company will conduct anti-corruption due diligence that includes, at a minimum:

- An initial internal risk assessment;
- An external due diligence report (for service providers); and
- A due diligence questionnaire.

Based on the findings of the external due diligence report and due diligence questionnaire, third parties may require additional due diligence, as may be determined on a case-by-case basis by the Corporate Chief Legal Officer ("**CLO**") or the Corporate Chief Compliance Officer ("**CCO**"). Such additional due diligence measures include requesting further documentation or information concerning compliance issues, conducting interviews with relevant personnel and engaging external parties to perform deeper background checks. Factors that may trigger such additional due diligence measures include any red flags that may be discovered during the due diligence process, the nature of the third parties' role in the intended transaction, the nature of the transaction for which the third party will be working with the Company and any lack of clarity or unwillingness by the third party to comply with the due diligence process.

5. Dedicated Questionnaires and Checklists

For each of: (i) service providers, (ii) potential teaming/joint ventures partners and (iii) M&A targets, the due diligence process will include use of dedicated questionnaires and checklists as appearing in Annexes A, B and C hereto. The relevant Annex may be incorporated into contracts with a service provider, teaming/joint venture party or M&A target as appropriate.

6. Red Flags

Red flags are facts or circumstances that raise a concern that a particular transaction, relationship or engagement involves a risk of bribery or corruption. Red flags are not proof of wrongdoing, and, in most cases, they do not automatically disqualify a third party. But because they present a heightened risk that the third party is or has been engaged in corrupt conduct, the Company will, in all cases, conduct further due diligence to understand the circumstances underlying the red flag. The result of this due diligence may be to "lower" the red flag, *i.e.*, to determine that there is a valid and legitimate explanation that contradicts any suggestion of corruption, or, to the contrary, raise the flag higher to the point where the third party is, in fact, disqualified, *i.e.*, to determine that the third party has likely engaged in corruption and would be likely to engage in such corruption on the Company's behalf. In many cases, however, it will be somewhere in between, requiring us to closely analyze the known and suspected facts and to exercise judgment and discretion in determining whether to proceed with the third party. For that reason, when the due diligence process reveals the existence of red flags, the Corporate Legal Department must

be involved in evaluating the red flags, and either the CCO or the CLO must approve the resolution of the red flag issue as well as entering into the engagement.

Red flags may vary considerably. The following are examples of red flags that could arise in due diligence by the Company. However, business units conducting due diligence must be alert to any indication that a service provider, teaming/joint venture partner or M&A target may have engaged in corrupt conduct, whether or not identified as a red flag below.

Red flags (Illustrative examples):

- The country in which the third party is active or a resident or incorporated does not have a Corruption Perception Index (CPI) score in the top 25% of the countries on the most recent Transparency International CPI (such country being a "**high risk country**").
- The identity, background, reputation or commercial history of the prospective third party is unknown to the Company.
- The third party has been directed to the Company by a customer or end user from a high risk country.
- The Company knows or suspects that the third party, any senior personnel that the third party employs or any individuals or entities by whom the third party is owned, controlled or managed, has been involved in illegal or unprofessional conduct or activity or has been accused or convicted of such involvement.
- The third party refuses to address questions about its relationships with government officials or to incorporate anti-corruption provisions into its contracts or other agreements.
- The third party uses suspicious accounting and financial techniques, including shell companies, payments to third-country banks, suspicious or deceptive invoices, payments in cash or cash equivalents.
- The third party lacks sufficient experience to perform the activities for which it was engaged or has offered to perform.
- The third party was referred to the Company by a customer or a government or public official.
- Circumstances exist which give rise to a reasonable (though unproven) suspicion that the third party lacks integrity, is not acting honestly or in good faith or that, by way of association with the third party, the Company's reputation would be detrimentally affected.

7. Conclusion of Due Diligence

To conclude due diligence, the Company functions performing the due diligence will prepare a Due Diligence Summary, including the information collected and verified during the due diligence process. The Due Diligence Summary must include:

- Red flags identified (from external due diligence report, questionnaire or otherwise); and
- Any proposed mitigating measures that could be taken.

8. Records

To demonstrate the Company's commitment to taking reasonable steps to prevent affiliation with corrupt activities or corrupt actors, the Company will collect and keep documentation related to the due diligence process. The relevant documents should at a minimum include:

- Completed due diligence questionnaire, including any supporting documentation;
- External due diligence report (if applicable);
- Results of the risk-based due diligence activities;
- Summary of due diligence findings; and
- Any other relevant documentation related to the acquisition, teaming/joint venture or service provider.

Such records shall be maintained for five (5) years after the close of due diligence or for as long as the applicable agreement is in effect or the applicable joint venture exists.